

Message Text

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ACTION EB-08

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EXCON

E.O. 11652: NA
TAGS: ESTC, JA
SUBJECT: DIB-678P PROCEDURE: DAINICHI ELECTRONICS INC.

REF: STATE 178722

1. EMBASSY RECOMMENDS THAT DAINICHI ELECTRONICS INC. (DEI), KOHRAKU BLDG., 1-8, KOHRAKU 1-CHOME, BUNKYO-KU, TOKYO 112, JAPAN, BE ACCEPTED AS A PARTICIPANT UNDER THE DIB-678P PROCEDURE. DEI APPEARS TO MEET REQUIREMENTS OF EXPORT ADMINISTRATION REGULATIONS, PART 373.3, IN TERMS OF (A) DIRECT APPOINTMENT AS A DISTRIBUTOR/AGENT IN JAPAN BY AN AMERICAN EXPORTER, (B) STATUS AS DISTRIBUTOR IN JAPAN OF INTEGRATED CIRCUITS (IC'S) MANUFACTURED BY ADVANCED MICRO DEVICES (AMD) INC., AND (C) PREREQUISITE VOLUME OF BUSINESS UNDER DISTRIBUTION LICENSE.

2. MR. KUBOTA, SALES DEPT MANAGER OF DEI, STATED THE FOLLOWING CONCERNING ITS RELATIONS WITH AMD INC., SUNNYVALE, CALIF.:

- (A) DEI IS ONE OF SIX FIRMS APPOINTED BY AMD INC., AS NON-EXCLUSIVE JAPANESE DISTRIBUTORS OF AMD IC'S IN UNCLASSIFIED

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ADDITION TO AMD JAPAN K. K., AMD'S WHOLLY-OWNED SUBSIDIARY CAPITALIZED AT 5 MILLION YEN, FEBRUARY 1975, AND LOCATED AT DAISAN HOYA BLDG., 8-17, KAMITAKAIDO 1-CHOME, SUGINAMI-KU, TOKYO, JAPAN. AMD IC'S ARE, IN PRINCIPLE, IMPORTED BY AMD JAPAN K. K., AND DELIVERED TO DOMESTIC END USERS AND OTHER SIX FIRMS, INCLUDING DEI. HOWEVER, THERE IS AN AGREEMENT THAT ANY ONE OF THE SIX MAY IMPORT DIRECTLY

FROM AMD INC., WITHOUT PASSING THROUGH AMD JAPAN, WHEN THE IC'S ARE TO BE INCORPORATED INTO EQUIPMENT BY END USERS AT A BONDED FACTORY AND RE-EXPORTED OR IF A SINGLE ORDER LOT IS VERY LARGE. THIS AGREEMENT WAS ESTABLISHED (1) WHEN IT BECAME APPARENT AMD JAPAN LACKED THE RESOURCES TO HANDLE COMPLICATED BONDED IMPORT REQUESTS, AND (2) TO RELIEVE DISTRIBUTORS OF OBLIGATIONS TO REMIT LARGE CASH SUMS TO AMD JAPAN WITHIN 30 DAYS OF PURCHASE FROM AMD JAPAN, THUS PERMITTING THEM TO OPEN DIRECT LETTERS OF CREDIT TO AMD INC. THROUGH FOREIGN EXCHANGE BANKS USING A 100-DAY USANCE.

- (B) AMD INC. SUBMITTED A DIB-678P NAMING DEI IN ORDER TO FACILITATE SHIPPING DIRECTLY TO DEI UNDER LICENSE BECAUSE THE NUMBER OF ORDERS THROUGH AMD JAPAN FOR DEI IS RAPIDLY INCREASING, SEVERAL REQUIRING BONDED FACTORY PROCEDURES.

- (C) DESPITE THE AGREEMENT MENTIONED IN PARA 2-(A), ALL AMD IC'S DISTRIBUTED BY DEI PREVIOUSLY HAVE BEEN IMPORTED VIA AMD JAPAN. IC'S SHIPPED AMOUNTED TO APPROXIMATELY 410,000 PCS OR 300 MILLION YEN DURING 1977 AND 500,000 PCS OR 200 MILLION YEN DURING THE FIRST HALF OF 1978. THE NUMBER OF RECENT SHIPMENTS TO AMD JAPAN FOR DELIVERY TO DEI'S CUSTOMERS HAS BEEN ABOUT 20 PER MONTH. DEI REPRESENTS AMD JAPAN'S LARGEST CUSTOMER
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TAKING NEARLY 50 PERCENT OF AMD JAPAN'S IMPORTS.

3. DEI'S STATEMENT IN PARA 2-(A) THROUGH (C) WAS CONFIRMED BY AMD JAPAN K. K.

4. OUR INVESTIGATION REVEALED THAT DEI WAS FOUNDED MAY 1971 AS A FIRM AFFILIATED WITH DAINICHI DENSHI K. K., WITH ITS HEAD OFFICE AT THE SAME BUILDING AS DEI. DAINICHI DENSHI WAS ESTABLISHED IN 1961. CAPITALIZED AT 49.5 MILLION YEN, IT IS A DOMESTIC DISTRIBUTOR REPRESENTING SHIN NIPPON MUSEN K. K., A MANUFACTURER OF DIODES LOCATED AT KAMIFUKUOKA, KAWAGOE CITY, SAITAMA PREF., JAPAN. THE SECTION OF DAINICHI DENSHI HANDLING IMPORTED SEMICONDUCTORS BECAME INDEPENDENT AS DEI IN 19. DAINICHI DENSHI OWNS 50 PERCENT OF DEI'S PAID-IN CAPITAL OF 30 MILLION YEN. DEI SPECIALIZES IN DOMESTIC DISTRIBUTION OF IMPORTED IC'S. THE MAJOR CUSTOMERS FOR AMD CPU, MEMORY, LINEAR AND BIPOLAR LOGIC IC'S DISTRIBUTED BY DEI INCLUDE JAPAN'S LEADING MANUFACTURERS OF DIGITAL COMPUTERS AND MEASURING INSTRUMENTS. THE EMBASSY HAS FOUND NO DEROGATORY INFORMATION CONCERNING DEI.
MANSFIELD

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